

BUSINESS CONDITIONS & FORECASTS

AMA News Letter

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y. . . FEBRUARY 28, 1939

The President's Scratch-Pad

¶ A publisher once told me that among his fraternity there is an adage, "If you want a best seller, publish a book about Lincoln's doctor's dog"—because books about Lincoln, doctors and dogs always seem to be popular. He admitted that it was a rather improbable formula, and that the truth is that nobody really knows what makes best sellers click.

¶ I thought of this when someone asked me recently whether I had observed any formula or magic that must be added to ordinary competence and ability to bring a business man high executive success. The faith that people have in formulas these days is remarkable.

¶ We are frequently reminded that there are thousands of men of great merit working in companies everywhere whose abilities and performance have not received proper recognition and whose chances of reaching important positions appear extremely remote. Many of these men are not only competent but brilliant. Yet their success is mediocre at best.

¶ What is the answer to this? One explanation is that these men are competent for only one job. Another is that their companies have not attempted to establish a methodical and orderly system to discover what abilities their executives have, and possess no plan for developing executive talent after it is discovered. Management has been most neglectful in this matter.

¶ There is not any Lincoln's doctor's dog formula for achieving executive success. But I have observed that all high-ranking executives have one common characteristic, and this is a sense of awareness.

¶ We have heard much on the subject of executive training. Perhaps now is the time to follow the theme of the recent Chicago Industrial Relations Conference and "put to work" some of the plans and ideas that have been expressed. And start by developing that vital quality—awareness of things.

Alvin E. Dodd

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Industrial Relations Conference Widely Attended

Nearly 1,500 Executives From Every Major Industry Meet For Personnel Discussions

That there is a growing belief on the part of companies everywhere that the key to successful operations lies in more effective utilization of human resources was clearly demonstrated at AMA's Industrial Relations Conference which was held February 15-16-17 in Chicago. This gives assurance that management plans to give increasing attention to the development of good personnel policies and practices.

Discussions during the three days' sessions also made clear that: 1. In the future personnel administration will be marked by efforts to give practical effect to policies enunciated during past years by top management officials who have spoken for industry on vital social issues; 2. Steps will be taken to bring more of the intimate "small organization atmosphere" into the employer-employee relations of the large corporations. Stress was laid on the need for recognizing the individuality of employees and on methods for providing in large companies the machinery that will make closer contacts between workers and management possible.

The meeting was one of the largest sponsored by the Association in several years, exceeding the Industrial Relations Conference of last year by a wide margin. Registrants included not only industrial relations and personnel officials, but many company presidents, comptrollers, production executives, sales heads and office managers. In all, nearly 1500 attended.

C. R. Dooley, Manager, Industrial Relations, Socony-Vacuum Oil Company, and Vice-President of AMA's Personnel Division, opened the sessions, outlining the industrial relations policies included in the program and stressing the importance of putting these policies to work. He introduced C. M. Chester, Chairman, General Foods Corporation, who gave top management's view of industrial relations.

(Continued on back page)

BUSINESS OUTLOOK

Spring Upturn is Definite Prospect

Marketing Conditions Considered Favorable

If the majority of business conditions authorities are correct in their calculations, industry will soon enter upon a strong upward movement that will continue to the end of the year, it is indicated by the summaries on the inside pages of this bulletin. Such a development would mean merely the resumption of the longer trend that began in June, 1938, and was interrupted in January, 1939, by a general contraction in business activity.

Almost without exception, statistical agencies believe that the decline which opened 1939 has just about run its course. They predict that in a few weeks indexes will begin to reflect improved conditions in the major lines of business. Stocks of goods are moderately low and new buying is about to start. The Federal Reserve Board's index of department store inventories, for example, stood at 66% of its 1923-25 average at the end of 1938, while sales of the same department stores in November, December, and January averaged 89% of their 1923-25 average.

The prospects for retailers and selling organizations are good. While reduced farm income is a definite prospect for 1939, improved industrial activity is expected to supply greater buying funds to make up for the smaller amounts in rural areas. If, as one agency predicts, general business during the spring is 30% above the same season a year ago, distributors cannot fail to participate in the general upswing.

In view of the stability that has characterized commodity prices over the past seven months, the question is now being asked: What will be the course of prices in future months, taking into account the outlook for improved general conditions? The general opinion is that commodity prices will yield to upward pressure and will rise moderately.

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	Alexander Hamilton Institute	Babson Statistical Organization	Brookmire, Inc.	
General Outlook	<p>Thus far in February, industrial activity has apparently continued to be well maintained at close to the peak reached in the sharp upward movement during the last half of 1938; the prospect is that the recent lull will give way to several months of expansion (February 11).</p>	<p>Gains over a year ago are substantial and are well distributed among the different types of industrial activity; the Babson-Chart Index is 24% above a year ago, 71% above the depression low, and only 18% under the 1929 peak (February 20).</p>	<p>General business, as measured by the Brookmire Business Index, has climbed from the level of 60% of computed normal last August to about 75% of normal; the outlook is for wide further general recovery, which holds high promise of surpassing 1936-7 peaks (February 18).</p>	<p>At the half of 1939, business minor correction of March should be way; industry should be the first (February 18).</p>
Money and Credit	<p>During January, total loans of reporting Federal Reserve member banks were 8.4% under a year ago; total deposits were 7.5% above January, 1938, and excess reserves were 149.8% higher (February 18).</p>	<p>Inflation has not been stopped but is being suppressed temporarily by expanding production and numerous causes of a technical nature; if a drastic drop in production should develop, it might speedily result in inflation of a devastating nature (February 13).</p>	<p>The bond market has again demonstrated its fundamental strength; the current financial situation continues the dominating market factor and provides reasonable assurance of easy money conditions and firmness in bond prices for quite some time to come (February 11).</p>	<p>Market technical dullness in the first quarter to a substantial reason that fed at present level of increased volume.</p>
Security Markets	<p>Stock prices have drifted laterally for the past four weeks, following their recovery from the January dip, and the action of the market is still devoid of positive significance; the strength of the bond market continues to be one of the most fundamental favorable factors (February 23).</p>	<p>Recent declines in the stock market have tended to weed out a speculative element which had become fairly large in the closing months of 1938; the stage is now set for an advance in stocks (February 13-20).</p>	<p>The primary trend of the stock market is upward; although movements of stocks have recently been listless, it should be remembered that long sideways movements in bull markets are more often than not followed by important advances (February 18).</p>	<p>Market technical dullness in the first quarter to a substantial reason that fed at present level of increased volume.</p>
Production	<p>The index of manufacturing activity this year may be expected to be above 95, as against 84 in 1938; possibly the index may reach 103, and if so, the index for the first half of 1939 may be 108, while the index for the last half may be 98 (February 11).</p>	<p>Production last month was 20% ahead of a year ago; a brisk improvement is noted in the petroleum industry, while machine tool orders have registered a gradual gain; some slight recessions have occurred in various other lines, but such declines are mainly seasonal (February 20).</p>	<p>By January, 1939, the physical volume of production had retraced 60% of the loss following the spring of 1938; demand in the coming months should expand notably and raise production nearer to capacity (February 18).</p>	<p>The automobile industry shows a contrary trend to the whole, and the spring; 90,000 car will be early February the whole business.</p>
Distribution	<p>Department store sales for the week ended February 4 were 6% under a year ago, against a decrease of 1% the previous week; the purchasing power index declined slightly from 75.6 to 75.4, but did not break out of the narrow area within which it has fluctuated for nearly a year (February 18).</p>	<p>With Easter only seven weeks away, improvement in retailing should be in evidence soon; sales should reach levels well above a year ago; low levels of food and textile prices should help consumers to buy liberally (February 20).</p>	<p>Department store sales in December were 0.6% under December, 1937; inventories are now moderate, not only in department stores but also in such widely scattered lines as autos, electric refrigerators, tires, and steel in users' and jobbers' hands (February 4).</p>	<p>The trends in all favor goods industry improvement, are low enough to prove from supplies.</p>
Construction	<p>Manufacturing activity is receiving much better support from the building industry than it did a year ago; residential and non-residential contracts in January amounted to 34,332,000 sq. ft. of floor space, as against 18,993,000 in January, 1938—an 80.8% increase (February 11).</p>	<p>Generally, there is little expectation now of any great boom in private building enterprise for the country as a whole; the outlook is for further declines of values and rentals for many of the older properties (February 13).</p>	<p>Construction seems entered upon one of its sustained upward cycles and bids fair to be the leader in recovery (February 18).</p>	<p>The field of agriculture greatly helps the industries of peace is for public interest, heavy volume will bear fruit in spring and summer.</p>
Agriculture	<p>Prices of farm products are now slightly below the 1938 average, and the prospect is that the quantity of farm products marketed this year will be somewhat smaller than last year; with some inflation a possibility, farm income in 1939 may equal that of 1938 (February 11).</p>	<p>Against the generally favorable business indices stands out the sore thumb of agricultural marketing; wheat receipts are the sole exception to the dismal picture; this weakness of the farm belt is likely to continue until there are some price advances for farm products (February 20).</p>	<p>Domestic consumption of cotton this season has exceeded last year's total by 313,000 bales; however, exports have fallen 1,707,000 bales below last year (February 18).</p>	<p>The field of agriculture greatly helps the industries of peace is for public interest, heavy volume will bear fruit in spring and summer.</p>
Commodity Prices	<p>On February 4 a 35-week moving average of raw material prices remained unchanged for the twelfth consecutive week at 79.5 (February 18).</p>	<p>Declines predominated among wholesale commodity prices this past month; the Babson Industrial Price Index was 135.7 on February 1, compared with 142.7 a year ago; however, the stage is now being set for some recovery in commodities (February 13).</p>	<p>The stability displayed in the prices of commodities over the past seven months attests the fact that the supply of and the demand for commodities have remained equal; in the coming months demand should improve, and prices should rise on a broad front (February 18).</p>	<p>The index of commodity prices stands now at 148.1 a year.</p>
Labor and Wages	<p>The factory employment index for December was 3.6% below December, 1937; the index of factory payrolls, however, registered a 2.9% gain over a year ago (February 18).</p>	<p>Factory employment in January showed only a 2% gain over January, 1938; increases in pay rates were generally less substantial than those of the preceding months; wages may be expected to mark time for the next few weeks, followed by a period of slowly gaining rates (February 20).</p>	<p>During December, the index of factory employment was 0.1% higher than November, but 3.6% under December, 1937; factory payrolls registered a 3% gain over November, and a 2.9% gain over a year ago (February 4).</p>	<p>Reports from dimming of Congressional hopes for adjustments in the situation.</p>
Foreign Trade and Conditions	<p>The value of exports from the United States dropped from \$3,349,000,000 in 1937 to \$3,094,000,000 in 1938; thus the recovery movement which began in 1932 was halted before the pre-depression figure of \$5,241,000,000 was even closely attained (February 18).</p>	<p>Exports of American cotton are the smallest of this century, with the outlook for them to continue very small as long as American cotton sells out of line with foreign growths (February 20).</p>	<p>Developments in England are considered bullish, because the financing of Britain's arms expenditures (reported at well-nigh astronomical levels) is to be accomplished by "inflationary" borrowing (February 18).</p>	<p>War threat to foreign countries France may to 1939 machine States (February 18).</p>

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The field of new construction may be greatly helped by the increasing possibilities of peace in the utility field; the outlook for public investment is certain, and the heavy volume of construction contracts will bear fruit in industrial production in the spring and summer (February 18).

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Reports from Washington indicate a dimming of the prospect for an early Congressional discussion and settlement of the Wagner Act; business now finds its hopes for adjustment of the law's difficulties tempered by an appraisal of new factors in the situation (February 18).

War threats have spurred buying by foreign countries in American markets; France may top Japan and Soviet Russia in 1939 machine-tool buying in the United States (February 18).

Dun's Review

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The national income has declined very slightly from December levels; before 1933, national income per capita used to be much larger in this country than it was in England, but it has shrunk so far that it is now actually smaller than that prevailing in Great Britain (February 15).

Security prices, which fell rather sharply when uneasiness about the European situation was at its height, have since then staged a strong recovery; however, new flotations of capital securities by corporations have declined (February 15).

The volume of industrial production was 31.3% below the computed normal level last September; in October it was 27.6% below, in November 22.4%, and in December only 21.8% below; preliminary figures for January indicate 24.2% below (February 15).

Department store sales volume has held up well, and there has been a small decrease in the cost of living; Federal expenditures have contributed to consumer purchasing power about \$250,000,000 a month during the past half year, and may reach maximum next summer (Feb. 15).

From 1929 through 1937, agriculture had net business savings (increases in net worth) of 6.1 billion dollars, while other forms of American enterprise had net negative results of almost 29 billions; obviously we have helped the farmer with considerable effectiveness (February 15).

Among the encouraging items in the business picture in January was the fact that there was only a small decrease in factory employment, while factory payrolls declined but slightly (February 15).

On the basis of 1929 as 100, industrial production in Great Britain in the first nine months of 1938 was 111, compared with 67 in the United States; on the same basis, corporation earnings declined by 1937 in this country to 78, but rose in the United Kingdom to 115 (Feb. 15).

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Conditions which ordinarily precede a substantial slump are not generally evident; the maladjustments arising during the seven months' recovery are capable of quick correction, and the "cumulative forces of the trade cycle" should be toward recovery (February).

On January 25 commercial loans of Federal Reserve member banks were more than a billion dollars under the high point of 1937; the capital markets are void of new money issues, and the nearby prospect for resumption of flotations is poor (Feb. 15).

The decline in stock prices to the lowest level since the European crisis last September may be interpreted as part of the general hesitation; England's restriction of loans against foreign securities may have the effect of reducing British purchases of American securities (February).

The leveling off of production shown by the current figures is the result of mixed causes, none out of the ordinary when it is considered that industrial output rose 37% between May and December (Feb. 15).

Retailers are expecting to do more business this spring than last, although their goods are priced lower, and despite their conservative buying policies the openings of spring merchandise have been successful (February).

Building figures reached the highest level of nearly nine years in December, when daily contracts awarded averaged 86% larger than a year earlier; for the first three weeks of January, awards were lower, but the total shows the satisfactory gain of 27% over January, 1938 (Feb. 15).

The Department of Agriculture estimates that farm income in 1939 will be larger than in 1938; farm income from exports of grain and grain preparations during 1938 increased \$130,000,000 over the previous year (February).

The sluggishness in the markets for basic commodities continues to be one of the important elements in the business situation; on the other hand, the absence of speculative buying and over-commitments in commodity markets is a favorable indicant (February).

In 1938 our favorable balance of trade was \$1,107,000,000, the largest in 17 years; the value of imports dropped 36% from the previous year, while exports declined only 8% (February).

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Retailers are expecting to do more business this spring than last, although their goods are priced lower, and despite their conservative buying policies the openings of spring merchandise have been successful (February).

Building figures reached the highest level of nearly nine years in December, when daily contracts awarded averaged 86% larger than a year earlier; for the first three weeks of January, awards were lower, but the total shows the satisfactory gain of 27% over January, 1938 (Feb.)

The Department of Agriculture estimates that farm income in 1939 will be larger than in 1938; farm income from exports of grain and grain preparations during 1938 increased \$130,000,000 over the previous year (February).

The sluggishness in the markets for basic commodities continues to be one of the important elements in the business situation; on the other hand, the absence of speculative buying and over-committments in commodity markets is a favorable indicant (February).

In 1938 our favorable balance of trade was \$1,107,000,000, the largest in 17 years; the value of imports dropped 36% from the previous year, while exports declined only 8% (February).

Speakers Announced For Marketing Sessions

(Continued)

dent, Dictaphone Corporation; "Personnel Pointers," Loire Brophy; and "A Sales Manager Sums It Up," Frederick B. Heitkamp, Vice President, American Type Founders Sales Corporation.

After Mr. Heitkamp's summing up of the highlights of the morning session, the meeting will be thrown open to general floor discussion.

Wednesday Afternoon

On Wednesday afternoon Paul Wooton, Washington correspondent of the McGraw-Hill Publishing Company, Inc., will speak on "The Washington Angle." He will indicate the trend of sentiment in Washington as it affects the sales executive, and will give an inside view of some of the things in store in future legislation.

On the same afternoon, J. M. Holcombe, Jr., Manager, Life Insurance Sales Research Bureau, will discuss "Keystone Principles in Selling."

Following Mr. Holcombe, S. M. Kinney, Vice President-Sales Manager, Talon, Inc., will speak on "What Shall Determine the Price Policy?"

Thursday Morning, April 13

Thursday morning, April 13, will be devoted to concurrent sessions for industrial and consumer selling. Chairman of the Industrial Session is Thomas J. Harte, Vice President and General Sales Manager, North American Cement Corporation, and Vice President, Industrial Marketing Division, American Management Association.

The Consumer Session will be under the chairmanship of H. W. Dodge, Vice President, The Texas Company.

These separate meetings have been arranged at the urgent request of members to permit discussion of timely sales problems in the most specific way.

In the Industrial Session, W. J. Donald, Managing Director, National Electrical Manufacturers Association, will discuss "Where Do Industrial Sales Costs Get Out of Hand?"

A paper on "Handling Sales Problems Requiring Application Engineering" will be presented by E. O. Shreve, Vice President, General Electric Company. Mr. Shreve's presentation will be supplemented in remarks by Edward R. Kast, Chief Engineer, Dexter Folder Company. These discussions will cover the sales problems involved in the type of selling requiring special engineering services.

"Measuring Advertising Response: The

Need for New Techniques" will be discussed by H. K. Nixon, Assistant Professor of Advertising, Columbia University.

L. A. Beers, Vice President, Institute of Carpet Manufacturers of America, Inc., will present a comprehensive discussion of "Sales Costs and Profits." He will treat the cost of covering territories, size of orders in relation to selling and distributing expense, and similar important points.

Thursday Afternoon

The entire afternoon of Thursday has been set aside for a "luncheon-smoker" on the important subject of selecting and training salesmen. This will be a questions-and-answers session presided over by Edgar Kobak, Vice President, Lord & Thomas, and Vice President of the Consumer Marketing Division of the American Management Association.

A group of recognized authorities will undertake to answer questions on the above subject. *Those planning to attend the Conference are urged to submit questions to AMA headquarters in advance.*

The Marketing Councils have gone to unusual lengths this year in determining the needs of the field and in securing the right speakers for the individual topics.

Wage Study Now Available as Reprint

Demands for copies of PERSONNEL for February, 1939, which contained the article by Samuel L. H. Burk, Chief Job Analyst, The Atlantic Refining Company, on "A Case History in Salary and Wage Administration," have been so numerous that special reprints of this article have been made and are available at AMA headquarters.

This article—one of the most comprehensive case studies on the subject that has appeared—describes the rate-setting procedure of The Atlantic Refining Company and discusses those difficult phases of a salary and wage administration program at which theories must be reconciled with practical considerations.

The price of this 40-page booklet is 25 cents.

HUGO DIEMER

The American Management Association lost one of its charter members, for many years a Director and a man widely known and honored for his contributions to the cause of better management, in the death on Friday, March 3rd, at his Chicago home, of Hugo Diemer, Director of Management Training, LaSalle Extension University. Mr. Diemer was 69 years old.

Heads Insurance Program



J. H. NICKELL

Insurance Conference Plans Announced

Meeting Will Again Feature "Questions-and-Answers" Session

The AMA annual Insurance Conference has been definitely scheduled for Monday and Tuesday, May 22 and 23, at the Hotel Claridge, Atlantic City, New Jersey. There will be both morning and afternoon sessions each day, with a dinner session Monday night and a luncheon Tuesday.

The high spot of the Conference will be a return engagement of Professor Blanchard's popular Questions-and-Answers session. The other papers will, as usual, be practical presentations on current insurance problems by speakers of national standing.

The arrangements for this meeting have been in charge of Mr. J. H. Nickell, Manager, Insurance Division, Philadelphia Electric Co., who is serving his second year as Vice President of the AMA Insurance Division.

The Insurance Council has had numerous meetings to discuss the most timely topics confronting sellers and buyers of insurance today. The program has been carefully checked by questionnaires and personal contact in the field.

Mr. Nickell has appointed Frank West, of Standard Brands, to take charge of the annual Sunday golf tournament at Seaview, and Mr. F. A. Roloson, of Henry M. Warfield-Roloson Company, to take charge of the dinner.